

Pender Alternative Multi- Strategy Income Fund

Six months ended June 30, 2026

Semi-Annual Management Report of Fund Performance

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at www.penderfund.com or the SEDAR+ website at www.sedarplus.ca.

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Pender Alternative Multi-Strategy Income Fund

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Alternative Multi-Strategy Income Fund (the “Fund”) were \$121,104,563 as at June 30, 2026 versus \$49,784,336 as at December 31, 2025. Of this \$71,320,227 increase, \$1,067,090 is attributable to positive investment performance and \$70,253,137 is attributable to net unitholder purchases of Fund units.

For the six months ended June 30, 2026 (the “period”), Class A units of the Fund generated a total return of 1.5%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s broad-based, blended benchmark, 9% FTSE Canada Universe Bond Index, 25% ICE BofA US High Yield Index, 33% HFRI Credit Index (Hedged to CAD), and 33% HFRI ED: Merger Arbitrage Index (Hedged to CAD), returned 3.1% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based, blended benchmark to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the index. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s blended benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

At the end of the period, the Fund was 37.9% invested in the Pender Corporate Bond Fund, 37.8% invested in the Pender Alternative Absolute Return Fund, 18.6% invested in the Pender Alternative Arbitrage Plus Fund, 4.0% invested in an exchange-traded fund, other assets less liabilities of 0.9%, and cash of 0.8%.

The Fund’s underperformance as compared to its benchmark was mainly due to its exposure to the Pender Alternative Arbitrage Plus Fund. The Pender Alternative Arbitrage Plus Fund’s underperformance as compared to its benchmark was mainly due to an overweight allocation to the Health Care sector and an underweight exposure to the Consumer Staples sector.

The following comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the period. Please read the caution regarding forward-looking statements located on the last page of this document.

Recent Developments

At the midpoint of 2026, fixed income investors face a market that remains fundamentally constructive but increasingly nuanced. Returns have been supported by resilient corporate earnings, healthy demand for income, and a reversal of some of the weakness seen earlier in the year. At the same time, the path forward is less straightforward. Policy expectations have shifted, inflation risks remain unresolved, and credit spreads have tightened to levels that leave less room for disappointment.

The rate outlook changed meaningfully over the first half of the year. Early in Q2, geopolitical tension in the Middle East and a spike in oil prices raised concerns that inflation could reaccelerate. As those tensions eased and oil prices declined, markets initially moved toward the view that central banks could remain on pause and potentially ease policy later in the year. That view became more complicated as the quarter progressed. Labour markets remained resilient, corporate earnings were stronger than expected, and significant investment in AI infrastructure continued to support nominal growth. In that environment, the market increasingly moved away from expectations for aggressive rate cuts and toward a higher-for-longer policy backdrop.

Credit markets entered the second half of the year with a constructive fundamental backdrop. Spreads tightened as strong earnings, resilient economic activity, and healthy investor demand outweighed geopolitical concerns. Falling oil prices and easing Middle East tensions also helped improve risk sentiment and supported corporate credit. Corporate fundamentals remain broadly healthy. Balance sheets, earnings quality, and access to capital have been better than many investors feared at the start of the year. In addition, AI-related capital investment has provided a meaningful source of demand and growth support across several sectors. However, tighter spreads reduce the compensation investors receive for unexpected shocks. In our view, the second half of the year requires a more selective approach to credit exposure. Inflation, policy expectations, tariffs, new issuance, and geopolitical risk all have the potential to reprice risk quickly. This is an environment where security selection matters more than simply reaching for yield.

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Our base case is that volatility increases in the second half of 2026. Markets are supported by solid earnings and resilient growth, but several risks remain unresolved. These include renewed inflation pressure, tariff-related uncertainty, geopolitical conflict, the potential for changing Federal Reserve leadership, and questions surrounding a future United States-Mexico-Canada (USMCA) agreement. We do not believe markets are pricing in sufficient risk. Volatility measures have fallen meaningfully from levels reached during the initial days of geopolitical stress, even as many of the underlying risks remain active. That disconnect suggests investors should be careful about assuming that the benign conditions of the first half will persist uninterrupted. At the same time, we do not view the outlook as uniformly negative. The income available in fixed income remains meaningfully higher than in much of the post-financial-crisis period, and that carry can provide an important cushion. The key is to pair income generation with risk awareness: investors should seek compensation for the risks they take and avoid areas where valuations assume too much certainty.

Independent Review Committee ("IRC") Appointments & Resignations

Effective March 12, 2026, Robin Mahood stepped down from the Independent Review Committee and Natascha Kiernan joined the Independent Review Committee.

Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management and Administration Fees"). The Fund also pays the Manager performance fees (see "Performance Fees").

As part of the Fund's investment strategy, the Fund invests in Class O units of the Pender Alternative Absolute Return Fund, Pender Alternative Arbitrage Plus Fund and Pender Corporate Bond Fund, funds that are also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in these funds.

Management and Administration Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund. Such expenses represented approximately 9% of the management fees paid by the Fund to the Manager for the period.

Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, the performance fee is or will be separately negotiated and charged directly to Class O Unitholders, as applicable. The performance fee is equal to 15% of the amount by which the total return of the class of units exceeds a 5% hurdle rate, for the period since the performance fee was last paid, subject to accumulation in years where no performance fee is paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark. Effective January 1, 2026, the hurdle rate was increased from 3% to 5%. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period and calendar years indicated.

Fund's Net Assets Per Unit (a)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class A						
Net Assets, beginning of period	12.88	12.90	11.99	11.53	16.26	16.57
Increase (decrease) from operations:						
Total revenue	0.38	0.67	0.61	0.56	0.26	0.22
Total expenses	(0.15)	(0.43)	(0.42)	(0.34)	(0.34)	(0.48)
Realized gains (losses)	-	0.18	(0.29)	0.24	(4.33)	2.99
Unrealized gains (losses)	(0.12)	0.12	1.02	(0.02)	(0.77)	(2.41)
Total increase (decrease) from operations (b)	0.11	0.54	0.92	0.44	(5.18)	0.32
Distributions:						
From income (excluding dividends)	(0.32)	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.64)	-	-	-	-
Total distributions (b), (c)	(0.32)	(0.64)	-	-	-	-
Net Assets, end of period	12.75	12.88	12.90	11.99	11.53	16.26
Class E						
Net Assets, beginning of period	10.20	10.00				
Increase (decrease) from operations:						
Total revenue	0.29	0.29				
Total expenses	(0.01)	(0.06)				
Realized gains (losses)	-	(0.12)				
Unrealized gains (losses)	(0.03)	0.38				
Total increase (decrease) from operations (b)	0.25	0.49				
Distributions:						
From income (excluding dividends)	(0.25)	-				
From dividends	-	-				
From capital gains	-	-				
Return of capital	-	(0.29)				
Total distributions (b), (c)	(0.25)	(0.29)				
Net Assets, end of period	10.21	10.20				

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Fund's Net Assets Per Unit (a) (cont'd)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class F (formerly Class I)						
Net Assets, beginning of period	9.69	9.65	8.89	8.46	11.78	11.86
Increase (decrease) from operations:						
Total revenue	0.29	0.47	0.47	0.41	0.17	0.16
Total expenses	(0.06)	(0.44)	(0.24)	(0.16)	(0.13)	(0.19)
Realized gains (losses)	-	0.51	(0.42)	0.16	(2.79)	1.93
Unrealized gains (losses)	(0.10)	(0.26)	0.94	(0.01)	(1.28)	(2.63)
Total increase (decrease) from operations (b)	0.13	0.28	0.75	0.40	(4.03)	(0.73)
Distributions:						
From income (excluding dividends)	(0.24)	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.48)	-	-	-	-
Total distributions (b), (c)	(0.24)	(0.48)	-	-	-	-
Net Assets, end of period	9.65	9.69	9.65	8.89	8.46	11.78
Class O						
Net Assets, beginning of period	10.78	10.46	9.40	8.78	12.07	12.00
Increase (decrease) from operations:						
Total revenue	0.30	0.46	0.49	0.44	0.08	0.16
Total expenses	-	-	-	0.01	-	(0.02)
Realized gains (losses)	-	-	(0.31)	0.22	(0.80)	2.08
Unrealized gains (losses)	(0.01)	0.31	0.89	(0.03)	(4.92)	(2.14)
Total increase (decrease) from operations (b)	0.29	0.77	1.07	0.64	(5.64)	0.08
Distributions:						
From income (excluding dividends)	(0.26)	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.52)	-	-	-	-
Total distributions (b), (c)	(0.26)	(0.52)	-	-	-	-
Net Assets, end of period	10.81	10.78	10.46	9.40	8.78	12.07

a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

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Ratios and Supplemental Data

	2026	2025	2024	2023	2022	2021
Class A						
Total net asset value (\$000s) (a)	8,062	3,172	1,380	2,120	3,288	7,173
Number of units outstanding (a)	632,171	246,239	106,999	176,827	285,161	441,165
Management expense ratio before performance fee (b)	2.29%	2.49%	2.52%	2.55%	2.55%	
Management expense ratio (b)	2.29%	3.29%	3.31%	2.90%	2.55%	2.47%
Management expense ratio before absorptions (c)	2.29%	3.29%	3.31%	2.90%	2.55%	2.47%
Trading expense ratio (d)	0.00%	0.01%	0.03%	0.04%	0.14%	0.16%
Portfolio turnover rate (e)	4.00%	21.18%	52.56%	6.39%	79.88%	66.22%
Net asset value per unit (\$) (a)	12.75	12.88	12.90	11.99	11.53	16.26
Class E						
Total net asset value (\$000s) (a)	2,554	2,290				
Number of units outstanding (a)	250,204	224,643				
Management expense ratio before performance fee (b)	0.21%	0.48%				
Management expense ratio (b)	0.21%	1.16%				
Management expense ratio before absorptions (c)	0.21%	1.16%				
Trading expense ratio (d)	0.00%	0.01%				
Portfolio turnover rate (e)	4.00%	21.18%				
Net asset value per unit (\$) (a)	10.21	10.20				
Class F (formerly Class I)						
Total net asset value (\$000s) (a)	110,483	44,317	594	340	636	2,177
Number of units outstanding (a)	11,447,818	4,571,697	61,573	38,271	75,095	184,759
Management expense ratio before performance fee (b)	1.23%	1.23%	1.22%	1.27%	1.28%	
Management expense ratio (b)	1.23%	4.00%	2.58%	1.84%	1.28%	1.26%
Management expense ratio before absorptions (c)	1.23%	4.00%	2.58%	1.84%	1.28%	1.26%
Trading expense ratio (d)	0.00%	0.01%	0.03%	0.04%	0.14%	0.16%
Portfolio turnover rate (e)	4.00%	21.18%	52.56%	6.39%	79.88%	66.22%
Net asset value per unit (\$) (a)	9.65	9.69	9.65	8.89	8.46	11.78

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Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class O						
Total net asset value (\$000s) (a)	6	6	5	5	4	1,304
Number of units outstanding (a)	547	535	509	500	500	108,089
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%	
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.00%	0.01%	0.03%	0.04%	0.14%	0.16%
Portfolio turnover rate (e)	4.00%	21.18%	52.56%	6.39%	79.88%	66.22%
Net asset value per unit (\$) (a)	10.81	10.78	10.46	9.40	8.78	12.07

a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund. Management expense ratio before performance fee is the MER before any performance fees, if applicable, for the stated period.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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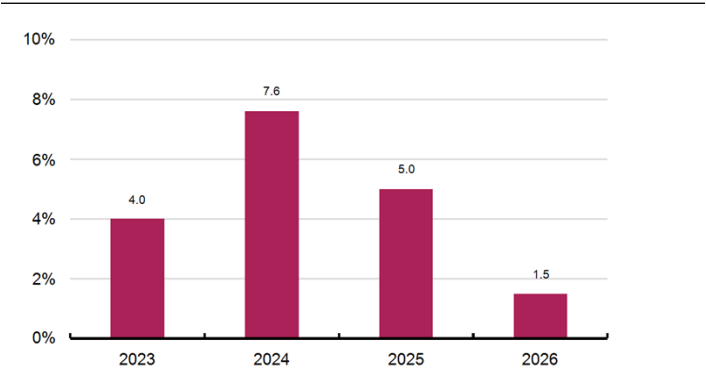
Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

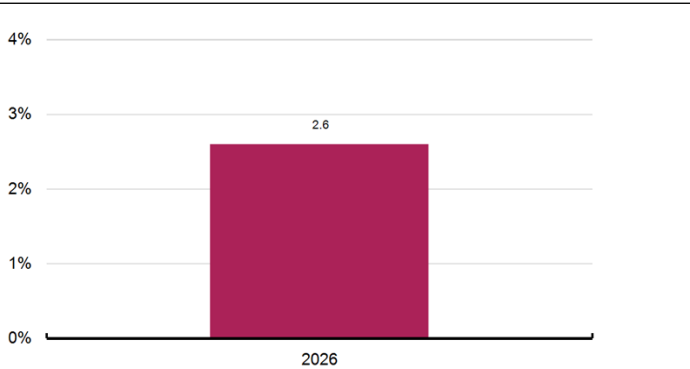
Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2026 and for each of the previous 12-month periods ended December 31. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the period would have increased or decreased by the last day of the period.

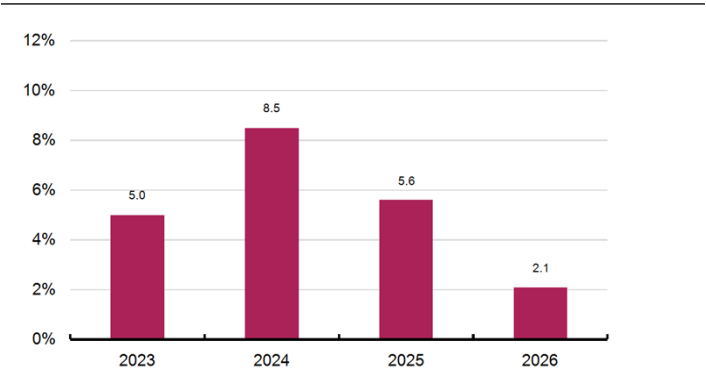
Class A



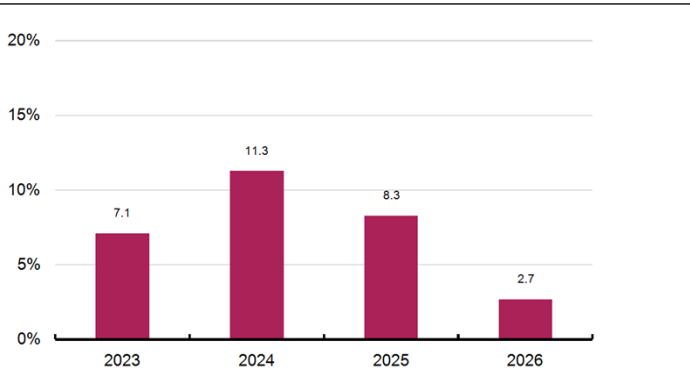
Class E



Class F (formerly Class I)



Class O



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Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the period and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

Top 25 Holdings

	% of Net Assets
Pender Corporate Bond Fund, Class 'O'	37.9
Pender Alternative Absolute Return Fund, Class 'O'	37.8
Pender Alternative Arbitrage Plus Fund, Class 'O'	18.6
Purpose Cash Management Fund	4.0

Composition of the Portfolio

	% of Net Assets
Mutual funds	94.3
Exchanged-traded fund(s)	4.0
Total investments	98.3
Cash (Bank overdraft)	0.8
Other assets less liabilities	0.9
Total net assets	100.0

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Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not a guarantee of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



Pender Alternative Multi-Strategy Income Fund

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